

**Written Testimony of
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Good morning, Committee Chairman Oxley and Ranking Member Frank, Housing and Community Opportunity Subcommittee Chairman Ney and Ranking Member Waters, and members of the Committee. My name is Ellen Lazar and I am the executive director of the Neighborhood Reinvestment Corporation. I am here this morning to talk with you about the work that Neighborhood Reinvestment is doing to revitalize communities and help low- and moderate-income families achieve a personal stake in the renewal of their communities.

My testimony is based on the experience and considerable successes of 226 community development organizations serving more than 2,300 urban, suburban, and rural communities. These nonprofit partnerships are collectively known as the NeighborWorks[®] network and operate in 49 states, the District of Columbia, and Puerto Rico.

I am pleased to brief you this morning on Neighborhood Reinvestment and the NeighborWorks[®] network's outcomes and impact in fiscal year 2002, and our plans for fiscal year 2004. Before I do so, I would like to take this opportunity to talk about Neighborhood Reinvestment's history and how the NeighborWorks[®] System is able to achieve some significant outcomes.

History of the Neighborhood Reinvestment Corporation

The Neighborhood Reinvestment Corporation developed from a 1972 effort by the Federal Home Loan Bank Board to encourage thrift-industry lending in declining neighborhoods. In the course of their outreach and research, the Bank Board identified a local model for community-based lending and revitalization at work in Pittsburgh, Pennsylvania, named Neighborhood Housing Services. The cornerstone of Neighborhood Housing Services was a true partnership between local residents, who were determined to save their homes from planned demolition, the city government, which provided city funding and support, and local financial institutions, which provided needed expertise in lending, as well as capital. In 1974, the Federal Home Loan Bank Board joined with the

U.S. Department of Housing and Urban Development to establish the Urban Reinvestment Task Force, an interagency task force to encourage banks and savings and loan associations to participate in a series of local partnerships modeled after Neighborhood Housing Services. The Task Force was later expanded to include the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency.

By 1978, the Task Force's success in stimulating new investment of private-sector capital with a minimum of government involvement led Congress to establish the Neighborhood Reinvestment Corporation [Public Law 95-557, Section 606(a)(3)] as a public nonprofit corporation. The Corporation's statute and subsequent legislation established a statutory Board of Directors comprised of:

- A member of the Board of Governors of the Federal Reserve System;
- A member of the Board of Directors of the Federal Deposit Insurance Corporation;
- A member of the Board of the National Credit Union Administration;
- The U.S. Comptroller of the Currency, or Deputy Comptroller;
- The Director of the Office of Thrift Supervision; and
- The Secretary of Housing and Urban Development, or his/her designee.

Congress intended Neighborhood Reinvestment to serve as a highly flexible, non-bureaucratic laboratory for revitalizing communities. The Corporation would mobilize private, public and community resources at the local level so that "new ideas and approaches could be studied, refined and pilot tested." Congress charged Neighborhood Reinvestment with promoting public and private reinvestment in neighborhoods through partnerships between residents, financial institutions and local government. Since 1978, Neighborhood Reinvestment Corporation has been included in each presidential budget and receives an annual appropriation from Congress.

The collection of organizations modeled after the public-private partnership of the Neighborhood Housing Services is known as the NeighborWorks[®] network, which now numbers 226 organizations. The Urban Reinvestment Task Force was also instrumental in starting a secondary market for the NeighborWorks[®] network, Neighborhood Housing Services of America (NHSA). Along with Neighborhood Reinvestment Corporation, this coordinated effort is known as the NeighborWorks[®] System.

Overview of the NeighborWorks[®] System

The activities of the Neighborhood Reinvestment Corporation support three interrelated components of the NeighborWorks[®] System:

- The Neighborhood Reinvestment Corporation;
- The NeighborWorks[®] network; and
- Neighborhood Housing Services of America.

The NeighborWorks[®] System has developed a strong reputation as an increasingly effective and efficient vehicle for leveraging significant private-sector resources in support of local community revitalization and affordable housing efforts, while serving as a laboratory for ground-breaking housing strategies and policy.

The Neighborhood Reinvestment Corporation

Neighborhood Reinvestment's partnership with local housing and community development organizations supports residents, businesses and local governments in their efforts to revitalize their communities. Neighborhood Reinvestment has five core activities:

- We assist existing NeighborWorks[®] organizations to expand their geographic and programmatic scope and help other organizations to become chartered members of the NeighborWorks[®] network through extensive educational and partnership-building work that involves residents, business leaders and government representatives. Currently, we work with 226 NeighborWorks[®] organizations nationwide and we expect to invite 12 additional organizations to join the network in fiscal year 2003.
- We fund NeighborWorks[®] organizations by supporting their capital projects and operations to enable them to create and build their own community-revitalization initiatives from a solid asset base. In fiscal year 2002, this resulted in \$1.7 billion of direct investment in America's communities, creating a powerful engine for revitalization.
- We provide sophisticated and specialized technical assistance to NeighborWorks[®] members to more effectively and efficiently reach underserved communities. In 2002, more than 35,000 lower income families and individuals were able to purchase, maintain or rehabilitate their home, over 72,000 families received pre- or post-purchase homebuyer education services, and more than 34,000 rental units for lower income households were owned or managed as a result of the work of the NeighborWorks[®] network.
- We conduct extensive review and oversight of NeighborWorks[®] organizations and NHSA, providing them with an objective appraisal of their strengths and weaknesses so as to allow them to focus on their ability to successfully manage their resources and programmatic risks. Using a rigorous and formalized organizational assessment process, in 2002 each community development organization in our network was evaluated and given a report card covering performance in such areas as financial management, board governance, contract compliance, productivity, and resource development.
- We operate national Training Institutes in major cities throughout the United States open to anyone involved in affordable housing and community revitalization, particularly private- and public-sector practitioners and community leaders. In 2002,

more than 11,000 housing and community development practitioners from every state received substantive training in key aspects of community and economic development activity, including real estate development, portfolio management, leadership development and financial management.

These activities individually and collectively build the productivity and strength of the NeighborWorks® network and the broader local community development field.

The NeighborWorks® Network

Neighborhood Reinvestment is the founder of the NeighborWorks® network, a collaborative group of community-based nonprofits that has evolved from a few organizations to 226 members active in more than 2,300 communities across the country today. NeighborWorks® organizations operate in our nation's largest cities, suburban neighborhoods and rural areas across 49 states as well as Puerto Rico and the District of Columbia. Regardless of their target communities, NeighborWorks® organizations function as partnerships of local residents, lenders and other business leaders, and representatives from local government. To achieve the locally-identified goals, members of the NeighborWorks® network utilize the laboratory environment Congress intended to achieve creative strategies, collaborate on best practices, and develop flexible financing mechanisms.

Each organization is responsible for setting its own strategies, raising funds, and delivering services. Most NeighborWorks® organizations provide homebuyer counseling, rehabilitation monitoring, and targeted lending services that complement conventional lending activity. Most NeighborWorks® organizations also operate a revolving loan fund to meet community credit needs such as gap financing for home purchase loans, second mortgages for rehabilitation, small-business loans, and acquisition and development of residential and commercial real estate. The NeighborWorks® network is the only national community development nonprofit network with extensive expertise in designing, originating, and servicing small non-conventional loans to lower-income families. Clients often require individual counseling and personalized assistance; however, this concentrated effort pays off by creating new opportunities for first-time homebuyers and by permitting existing homeowners to make affordable improvements, all of which works to revitalize communities.

Neighborhood Housing Services of America

NHSA works in partnership with the Neighborhood Reinvestment Corporation to meet special secondary market needs of NeighborWorks® organizations and their clients. The primary mission of NHSA is to operate a specialized secondary market created to replenish the revolving loan funds and capital pools of local NeighborWorks® organizations.

With administrative and capital support provided by Neighborhood Reinvestment, NHSA purchases community development loans at face value, thereby allowing NeighborWorks® organizations to originate loans with interest rates and terms based on

the borrowers' ability to repay. NHTSA's loan purchases provide a stream of capital into NeighborWorks® organizations' revolving loan funds so as to meet additional needs within their target neighborhoods.

NHTSA furthers Neighborhood Reinvestment's financial support by securing private-sector capital from a pool of socially responsive national institutional investors, including insurance companies, financial institutions, foundations and pension funds. Proceeds from these investments are used to purchase NeighborWorks® loans.

The NeighborWorks® System Works Intelligently and Efficiently

The approach that Neighborhood Reinvestment employs in interacting with and providing services to the NeighborWorks® network is crucial to the successes the System has achieved. Congress designed Neighborhood Reinvestment to be non-bureaucratic, creative and nimble, in order to quickly respond to varied local needs. As a result, our services are responsive to the environments in this nation's varied communities, our management of network organizations is strategic and locally-driven but nationally-monitored, while our service delivery is efficient, effective, and constantly evolving.

Services Neighborhood Reinvestment Provides

Neighborhood Reinvestment maintains a waiting list of organizations that apply to become members of the NeighborWorks® network. While flexible grants are an attractive aspect of membership, prospective members regularly cite specialized training, technical assistance, a members-only secondary market, customized tools and strong professional affinity groups (such as, the Campaign for Homeownership, the NeighborWorks® Multifamily Initiative, the NeighborWorks® Rural Initiative) as equally important. Because funding is inextricably tied to training and technical assistance opportunities, the resulting impact is both more powerful and more sustainable.

Financial Support

Equity capital grants are a critically important financing vehicle that Neighborhood Reinvestment provides to NeighborWorks® organizations for capital and revolving loan funds that support real estate development and lending. NeighborWorks® organizations use these grants to provide the equity and gap financing necessary to make loans for home purchases, property rehabilitation and small businesses, and provide equity and financing for real estate development. Eligible activities also include capital costs associated with the acquisition and development of residential and commercial real estate for long-term ownership by a NeighborWorks® organization.

Neighborhood Reinvestment also provides expendable grants to NeighborWorks® organizations to strengthen and increase their organizational ability to develop and administer responsive products and services. These grants are awarded for activities that address the full range of organizational, administrative and financial management and development issues faced by nonprofit housing and community development

organizations. Particular emphasis is placed on activities crucial to increasing production and efficiency, thereby generating sustained community impact and ensuring the long-term success of the organization.

Technical Assistance

In tandem with financial assistance, Neighborhood Reinvestment provides a wide range of technical assistance. NeighborWorks® organizations request practical, systems-based assistance in programmatic, organizational, administrative, financial or management areas of strategic importance to their organization. Neighborhood Reinvestment responds with a team of professionals familiar with each organization's local market, environmental challenges, structure and mission, and provides technical assistance in six key programmatic areas: organizational development; resource development and marketing; community revitalization, economic development and business planning; technology and financial management systems; single-family housing and lending; and real-estate development and management. The guiding principles observed by Neighborhood Reinvestment include a mandate to design and deliver our services in a manner that consistently builds the capability of network organizations to fulfill their vitally important missions and increases their capacity to sustain their efforts over time. Our goal is to increase self-reliance and programmatic expansion among network members.

Training Opportunities and Information

A comprehensive, systematic program of training and informing powerfully augments on-site technical assistance. The Neighborhood Reinvestment Corporation is nationally recognized as the premier provider of training in the housing and community development field, having founded its Training Institute 15 years ago. Today, the Neighborhood Reinvestment Training Institute offers more than 150 courses and reaches more than 5,000 people a year from more than 4,000 communities across America. Participants at the Training Institutes come from all 50 states, Puerto Rico and the District of Columbia.

Neighborhood Reinvestment's Training Institutes are typically scheduled five times each year at various locations around the country. Courses are offered in eight tracks: homeownership and community lending, affordable housing, community building, community economic development, construction and production management, management and leadership, and neighborhood revitalization and rural development. The Institutes also host symposia on cutting-edge topics involving nationally recognized experts, special-issue workshops, and peer-to-peer networking opportunities. Approximately half of the attendees of the Institutes come from organizations within the NeighborWorks® network; the rest come from other communities and organizations around the country. This is one of the many ways that the support Congress provides Neighborhood Reinvestment Corporation reaches not only the 2,300 NeighborWorks®-assisted communities, but also the broader community development field.

Additionally, Neighborhood Reinvestment provides training on a smaller regional level that is more responsive to geographical needs and conditions. Neighborhood Reinvestment also provides specialized training and professional development for highly-experienced community development professionals, which is unique in the industry.

Managing the NeighborWorks® Network

As Neighborhood Reinvestment Corporation continues to sustain and expand a network of excellence, we continue to allow our NeighborWorks organizations local flexibility in their programmatic activities. However, as a congressionally-funded nonprofit corporation, we take seriously our obligation to maximize the efficiency and effectiveness of the funds we receive, while preventing waste.

Organizational Assessment

As part of its responsibility to act as a good steward of federal funding, and to protect the investment of other partners as well as the high standards and the reputation of the NeighborWorks® network as a whole, Neighborhood Reinvestment Corporation is committed to promoting and maintaining a network of high-performing, well-managed, nonprofit housing and community development corporations that deliver high quality services responsive to local needs and have a measurable impact on their communities. One of the tools employed in doing this is a uniform program review and assessment system.

Organizational assessment enhances the performance and productivity of NeighborWorks® organizations, while assisting in building the capacity of our affiliates to function in a highly effective manner. Assessments also offer the opportunity to evaluate the use of federal funds from Neighborhood Reinvestment, and evaluate the capacity of affiliate organizations' to meet NeighborWorks® network membership standards and performance objectives.

Through a system of continuous monitoring, each NeighborWorks® organization is subject to an annual risk assessment through either off-site or on-site program reviews. Off-site reviews involve the collection and analysis of data about the organization. These data are analyzed in eight risk areas on a quarterly basis. If a risk alert is identified, the degree to which the organization has the capacity to manage the risk is determined.

On-site reviews are conducted periodically for all network members as well as under special circumstances. For example, all new applicants for membership are evaluated on-site before being offered a charter as a NeighborWorks® member and an on-site review might also be called for when an off-site review raised serious questions about programmatic risk.

Expansions, Organizational Mergers and New Affiliates

In today's community development industry, effective and efficient growth strategies frequently do not mean creating or adding new organizations. In many underserved areas, the most sensible and cost-effective approach is to expand the reach or

programmatic services of an existing network member, or to facilitate a merger of two organizations to create a more powerful organization with greater impact and efficiency. Neither of these approaches results in the addition of new organizations, yet both can result in productive outcomes, more efficient use of resources, responsive service delivery, and expanded coverage.

Mergers of local housing and community development organizations are becoming an increasingly common practice. The combined efforts resulting from mergers can result in achieving greater impact at equal or less cost.

Neighborhood Reinvestment receives a far greater number of requests for new affiliations than it can hope to satisfy responsibly. To prioritize requests from new applicants, the Corporation seeks those environments where its resources and assistance are likely to add the greatest value to local efforts and produce the most pronounced impact. Through a careful affiliation process, Neighborhood Reinvestment works with interested existing community-based organizations to ensure that before any organization is chartered as a NeighborWorks® entity, it is: sound and productive; led by a board of directors reflective of the community it serves; and, committed to a mission with goals, values, programs and accomplishments compatible with the focus and priorities of the NeighborWorks® network. In a given year, Neighborhood Reinvestment extends an invitation to join the NeighborWorks® network to up to 10 organizations.

Through the affiliation process, Neighborhood Reinvestment enables an organization to increase its productivity and realize a greater return on the investment of time and money. Chartering a new NeighborWorks® organization requires extensive educational and partnership-building efforts, usually over a period of about 12 to 18 months.

Data Collection

Neighborhood Reinvestment's data collection system, which is recognized by many to be the most systematic and effective within the field, includes an annual and two quarterly surveys. The annual survey collects data on NeighborWorks® organization characteristics, such as service area; staff positions, salary, tenure; board composition; sources of income; loan portfolio; sources of contributions and grants; types of community services. The general quarterly production survey gathers information regarding completed projects by sources of investments, types of programmatic services and housing units. We also collect quarterly data from organizations in the NeighborWorks® Campaign for Homeownership, which details each assisted homebuyer's demographics, sources of finance, monthly cost and services received from the participating NeighborWorks® organizations.

To assist the network organizations with their database management and reporting capability, the Neighborhood Reinvestment has developed a customer tracking and project management software application. In fiscal year 2004, we plan to develop a web-based data collection system, which will enable us to have direct access to an organization's

database. Such a database management platform will increase our data collection and reporting efficiency significantly.

How Services Are Delivered

Neighborhood Reinvestment Corporation provides its services to NeighborWorks® organizations through nine district offices that work closely together with issue-specific initiatives – the Campaign for Home Ownership, the NeighborWorks® Rural Initiative, and the NeighborWorks® Multifamily Initiative.

District Offices

Neighborhood Reinvestment delivers the bulk of its services through nine district offices across the country. Our district offices offer specialized technical assistance, evaluate financial assistance proposals, administer grants, and evaluate organizations wishing to become members of the NeighborWorks® network. Neighborhood Reinvestment staff at the district level focus their service delivery on enhancing the performance and capabilities of network members and on ensuring the delivery of goals set by national initiatives such as the Campaign for Home Ownership, the NeighborWorks® Multifamily Initiative and the NeighborWorks® Rural Initiative. Staff at the district level are the primary deliverers of our services to the NeighborWorks® network.

NeighborWorks® Campaign for Home Ownership

The NeighborWorks® Campaign for Home Ownership is the largest initiative of its kind to bring families of modest means into the economic mainstream by helping them achieve one of their primary life goals: owning a home. Neighborhood Reinvestment has coordinated this joint effort of banks, insurance companies, secondary markets, government, the real estate community and others, involving more than 140 local community-based NeighborWorks® organizations since the initial launch of the NeighborWorks® Campaign for Home Ownership in 1993.

Over the past 10 years, Neighborhood Reinvestment and the NeighborWorks® network have met challenging goals and accomplished significant outcomes through the NeighborWorks® Campaign for Home Ownership, including:

- Assisted more than 60,000 families to become homeowners, of which 54 percent are minority and 67 percent have incomes below 80 percent of area median income;
- Provided more than 350,000 individuals with pre-purchase homebuyer education and counseling services; and
- Invested more than \$5 billion in America's distressed neighborhoods and communities.

To further support these outcomes, Congress provided an additional \$25 million to bolster local revolving loan funds, and fuel further research, training and innovations in

fiscal years 1999 and 2000. The additional funding resulted in the following outcomes:

- Nearly 67,000 households received pre-purchase homebuyer education and counseling and nearly 18,000 families received post-purchase counseling services;
- Over 17,000 families were assisted in purchasing homes; and
- \$1.5 billion was invested in those communities served.

The Campaign for Home Ownership, a partnership among Neighborhood Reinvestment and NeighborWorks[®] members, has achieved these outcomes by establishing standards for production and service delivery, coordinated and practitioner-focused training, and facilitated technical assistance and peer-mentoring. The NeighborWorks[®] Campaign for Home Ownership has focused on supporting NeighborWorks[®] organizations to help establish clear, aggressive goals, and define and abide by high quality standards. Innovative tools and ideas, such as Full Cycle LendingSM, NeighborWorks HomeOwnership CentersSM, Financial Fitness, and Section 8 Homeownership, have also been developed and supported.

The NeighborWorks[®] network's unique approach to homebuyer counseling has been service-marked under the term Full-Cycle LendingSM. Created by NeighborWorks[®] organizations, Full-Cycle LendingSM enables lenders, government agencies and nonprofit NeighborWorks[®] organizations to work together to provide homeownership opportunities to families who might not qualify for – or do not know how to obtain – conventional mortgages. This system empowers and enables customers by teaching them about the responsibilities of homeownership, and reduces the risk of delinquency and foreclosure. Loans tailored to these customers are more attractive to lenders, many of which are eager to make inroads into this market.

More recently, Neighborhood Reinvestment and members of the NeighborWorks[®] network have begun to work with families even earlier in the process, through a financial education program called Financial Fitness. To further this effort, Neighborhood Reinvestment and the Federal Deposit Insurance Corporation (FDIC) have a partnership that involves Neighborhood Reinvestment's use of the FDIC's "Money Smart" financial literacy program to train adult educators and teach money management skills to thousands of potential homebuyers. The Corporation has developed standards, adapted and created training materials, trained trainers through the Neighborhood Reinvestment Training Institute, and initiated a pilot Financial Fitness program at 39 NeighborWorks[®] sites nationwide.

By the end of calendar year 2002, NeighborWorks[®] organizations enrolled over 8,700 people in the training, and graduated more than 5,500 individuals. Of these, nearly 59 percent are minorities, 93 percent are renters, 65 percent are women, and 75 percent have incomes below 80 percent of the area median income. This program intends to give participants an understanding of basic finances and healthy financial relationships that benefit both the individual and the community.

In passing the 10-year mark, the Campaign for Home Ownership has set new goals for the next five years.

- *Homeownership Production.* Create 50,000 new homeowners, including 30,000 minority homebuyers.
- *Homeownership Preservation.* Assist 50,000 families to preserve homeownership and improve their homes through housing rehabilitation, maintenance, repairs, delinquency and foreclosure prevention, loss mitigation, and refinancing.
- *Consumer Outreach.* Establish a coordinated outreach, public information and counseling effort to reach 500,000 families through educational programs, such as Financial Fitness classes, anti-predatory lending efforts, pre- and post-purchase counseling, and expansion of NeighborWorks HomeOwnership CentersSM.
- *Targeted Revitalization Areas.* Work with up to 10 pilot NeighborWorks[®] organizations to establish geographically-targeted revitalization efforts, which will include homeownership promotion as well as single- and multi-family real estate development, resident leadership, and commercial and economic development.
- *Building Sustainable Capacity in the Industry.* Promote the growth of the homebuyer education industry through the development of up to 10 national alliances, establishing national standards for training and certifying homebuyer educators and counselors, and providing tools and best practices that can help the industry become more effective, efficient and sustainable.

NeighborWorks[®] Rural Initiative

In 1990, three NeighborWorks[®] affiliates identified their primary service areas as rural communities. By the end of 2002, that number had grown to 60 organizations, which is 27 percent of the total number of organizations in the NeighborWorks[®] network and comprises the fastest growing segment of the network. Moreover, as our existing NeighborWorks[®] organizations expand their target areas, they begin to capture rural areas with their services.

The network has proven its ability to address housing needs in rural communities, particularly through our partnership with a peer organization that was developed by rural network organizations – Rural NeighborWorks[®] Alliance. With seed funding from Neighborhood Reinvestment and the Northwest Area Foundation, rural NeighborWorks[®] organizations have developed a shared revolving loan fund that provides bridge financing for local housing or economic development projects at below-market rates. With initial loan assets of over \$2.1 million, Rural NeighborWorks[®] Alliance has made 40 loans totaling more than \$4.5 million to 14 rural NeighborWorks[®] organizations. These loans have supported the production of 413 units of housing and 26 economic development projects, and leveraged \$33 million in total project financing.

Although methods of delivering services in rural areas tend to differ from urban and suburban areas, NeighborWorks® organizations have identified one specific technical-service need more often than non-rural organizations: assistance with asset and property management. This appears to be a consequence of the scattered-site nature of properties that rural organizations manage and projects that are often scaled down to meet rural market conditions. In fiscal year 2004, the Corporation plans to ensure that rural NeighborWorks® organizations have full access to the property and asset management training that has been developed by the NeighborWorks® Multifamily Initiative.

Guided by a national steering committee of rural NeighborWorks® practitioners and Neighborhood Reinvestment staff, the Rural Initiative will also expand upon a national partnership with the U.S. Department of Agriculture's Rural Housing Service. In fiscal year 2004, Neighborhood Reinvestment will continue this partnership to more efficiently utilize and leverage the Rural Housing Service's programs, including Section 502 and Section 504 loan programs.

Neighborhood Reinvestment will continue to support the needs of the existing NeighborWorks® organizations serving rural populations, promote the expansion of their service areas, and invite additional rural and Native American organizations to join the NeighborWorks® network. Through target area expansion and partnership with tribal leadership, NeighborWorks® organizations have been able to leverage their expertise in homeownership to assist Native American families to become homeowners.

Through the Neighborhood Reinvestment Training Institute, the Corporation will introduce new rural courses at regional and national Training Institutes. The new courses represent the first phase in the development of a comprehensive rural program of study.

NeighborWorks® Multifamily Initiative

Understanding the importance of multifamily rental housing in a comprehensive neighborhood revitalization strategy, a group of NeighborWorks® organizations formed the NeighborWorks® Multifamily Initiative in 1999. Together, these organizations own more than 34,000 units of affordable and well-maintained rental housing. The members of the NeighborWorks® Multifamily Initiative make it their mission to provide sustainable multifamily homes, which are characterized over the long-term by:

- Affordability, as defined by local market conditions ;
- Ongoing economic viability;
- High quality maintenance and management; and
- Access to on-site learning centers designed to advance the personal assets of residents – academic success of youth, employability of adults, financial savings, and homeownership.

With \$5 million provided by Congress in fiscal year 2002, the Corporation embarked on an ambitious effort to create mixed-income multifamily properties serving families and individuals below 30 percent of area median income. With that funding, Neighborhood

Reinvestment provided 14 grants, which funded the development of those units affordable to families with extremely low-incomes. The congressional funding produced 121 units affordable to extremely low-income families. These units accounted for nine percent of the total units in the properties in which they were located, while 79 percent of the units were affordable to families with incomes between 30 and 60 percent of area median income. The \$5 million congressional set-aside helped invest over \$141 million in targeted communities. Further, these units were developed in a myriad of settings – urban, suburban, rural, large and small developments as well as scattered site. Most importantly, many of these units will be affordable to extremely low-income families without need for a Section 8 voucher or certificate or other form of on-going subsidy.

Outcomes of Fiscal Year 2002

With congressional backing, fiscal year 2002 proved to be a groundbreaking year on many fronts. Congress provided Neighborhood Reinvestment with an appropriation of \$105 million; of which, \$10 million was set-aside to encourage partnerships and training in furtherance of the U.S. Department of Housing and Urban Development's Section 8 homeownership option, and \$5 million was set-aside to promote the development of mixed-income rental properties that included families with incomes below 30 percent of area median income.

In fiscal year 2002, the NeighborWorks® network achieved new levels of production, including:

- Generated nearly \$1.7 billion in direct investment to targeted communities;
- Made available affordable housing opportunities for nearly 70,000 families;
- Provided pre- and post-purchase homebuyer education and counseling services to over 68,000 families; and
- Leveraged \$15.80 in other investments for each dollar Congress appropriated to Neighborhood Reinvestment.

Furthermore, the two set-asides allowed Neighborhood Reinvestment and the NeighborWorks® network to continue its role as laboratory for the community development field.

- Neighborhood Reinvestment continued to partner with 53 NeighborWorks® organizations and 70 Public Housing Authorities in implementing the U.S. Department of Housing and Urban Development's Section 8 homeownership option. Over the past four years, the NeighborWorks® System has provided homebuyer education to 2,000 families, produced over 200 new homeowners, and educated 1,200 professionals on this new programmatic opportunity.
- The NeighborWorks® network developed 121 rental units affordable to families with incomes below 30 percent of the area median income. These units were in 14

developments totaling over 1,300 units. Remarkably, many of these extremely low-income units will be affordable to families with incomes less than 30 percent of area median income without the need for a Section 8 voucher or certificate. Were it not for this special set-aside, these units would not have been developed.

Lastly, we continued to provide high quality services to NeighborWorks® organizations, aiding their continuing work of providing needed services in their communities. In fiscal year 2002, Neighborhood Reinvestment and NHSA:

- Conducted on- and off-site organizational assessments of each member of the NeighborWorks® network;
- Provided over 11,000 individuals with training, amounting to over 188,000 contact hours;
- Purchased over \$60 million in loans from NeighborWorks® organizations; and
- Distributed 69 percent of Neighborhood Reinvestment's congressional appropriation in the form of grants.

Fiscal Year 2003

For fiscal year 2003, the President recommended \$105 million for Neighborhood Reinvestment Corporation, which included a \$10 million set-aside to continue our work with the U.S. Department of Housing and Urban Development in furthering Section 8 homeownership option. Congress appropriated \$105 million for Neighborhood Reinvestment, of which, \$5 million was set-aside to continue our Section 8 homeownership work, and \$5 million was set-aside to promote the development of mixed-income rental properties that included families with incomes below 30 percent of area median income. I look forward to briefing you on our outcomes for fiscal year 2003.

Fiscal Year 2004 Budget and Outcomes

For fiscal year 2004, we are requesting an appropriation of \$115 million. At this funding level, Neighborhood Reinvestment will be able to expand its services in support of the White House's initiative on increasing minority homeownership and other homeownership activities, as well as continue to recruit and retain staff that will increase its service to the NeighborWorks® network.

A \$115 million appropriation will assist the NeighborWorks® network to:

- Leverage nearly \$2.2 billion in direct total investment in distressed rural, suburban and urban communities;
- Use each dollar Congress appropriates to leverage \$18 from other sources;
- Assist nearly 79,000 families obtain and maintain safe and affordable rental and homeownership housing; and

- Provide pre- and post-purchase homeownership counseling and financial literacy training to nearly 84,000 families.

To support and expand these significant accomplishments, the Neighborhood Reinvestment Corporation and NHTSA will:

- Conduct 240 organizational assessments of member organizations;
- Provide 220,000 training contact hours to community development leaders and practitioners, not only through the Neighborhood Reinvestment Training Institute but also through local and regional training venues;
- Disburse 69 percent of Neighborhood Reinvestment's congressional funding in the form of grants; and
- Purchase \$65 million in loans from NeighborWorks® organizations.

In June 2002, President Bush announced a national goal of increasing the number of minority homeowners by at least 5.5 million by the end of this decade. Neighborhood Reinvestment and NHTSA have been active partners in the development and unveiling of the White House's initiative on increasing minority homeownership.

For years, the NeighborWorks® System has been a leader in bringing homeownership opportunities to all Americans. Among the families assisted by the NeighborWorks® Campaign for Home Ownership from 1998 through 2002, 54 percent are racial and/or ethnic minorities – compared to 19 percent minorities served by the conventional market (based on 2000 HMDA data).

Rather than making changes in its basic strategies, the Corporation will expand the tools and efforts that have proven to be the most effective in addressing critical areas affecting homeownership opportunities, particularly for minorities and other underserved populations such as Spanish-speaking families who are not bilingual.

Funding in fiscal year 2004 will help achieve the aggressive goals we have set. In support of the President's goal, within 10 years, the NeighborWorks® System will:

- Make available housing counseling assistance to more than 650,000 families, of which 59 percent (380,000), will be minority households;
- Provide direct homeownership assistance to more than 130,000 families, of which more than 59 percent (79,000), are estimated to be minority families;
- Provide training, outreach, translation and other supports with an eye to increasing the minority homeownership rate; and
- Triple the number of minority clients served by NHTSA's products.

Lastly, the added funding in fiscal year 2004 will help Neighborhood Reinvestment address rising personnel and benefits costs. While Neighborhood Reinvestment staff has actually decreased since 1999, benefits costs for our staff have risen. The increase in personnel and operating costs is attributed to higher gross salaries and costs of health care and other benefits. The increase in salaries includes a five percent merit pool and small bonuses; the Corporation does not provide a cost-of-living increase.

Conclusion

Let me close by thanking the Committee for the opportunity to brief you on our work, and the outcomes that were generated as a result of Neighborhood Reinvestment's congressional appropriation. The NeighborWorks® System and Neighborhood Reinvestment's congressional appropriation is a valuable asset to 226 community development organizations and more than 2,300 communities across America. With our leveraging of dollars, we have been efficient and effective in creating the maximum impact of our federal appropriation. Congress has allowed Neighborhood Reinvestment to be flexible and responsive to local needs; as a result, families and communities have benefited.

Neighborhood Reinvestment Corporation is committed to building healthy, strong and safe communities all across America. Your continued support is vital to us in accomplishing this goal.